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ROUND TABLE

A RADIO DISCUSSION OF

WEAPONS OF ECONOMIC WAR

LAVES · STALEY · BIDWELL

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ROUND TABLE

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NOTE

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WEAPONS OF ECONOMIC WAR

A UNIVERSITY OF CHICAGO ROUND TABLE BROADCAST*

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* A radio discussion broadcast from the University of Chicago, over the Red Network of the National Broadcasting Company, Sunday, August 24, 1941, at 1:30 P.M., Central Daylight Saving Time.

The ROUND TABLE, oldest educational program continuously on the air, is broadcast entirely without a script. Subjects are chosen because of their social, political, or economic significance. The program has no "ax to grind." In the selection of speakers, the effort is to provide a balanced discussion by participants who have special competence and knowledge. The opinion of each speaker is his own and in no way involves the responsibility of either the University of Chicago or the National Broadcasting Company.

WEAPONS OF ECONOMIC WAR

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During recent weeks the United States has been tightening the screws on the Axis powers. "Uncle Sam is getting tough," they say. On July 30 President Roosevelt appointed Vice-President Henry A. Wallace head of the Economic Defense Board—a new weapon in the economic war being waged by the United States in cooperation with the British Commonwealth of Nations against Germany, Italy, and Japan.

How is the bargaining power of the American economic system being used to influence the outcome of World War II? What is economic defense? What is economic warfare? What will be the effect of American participation in the economic blockade of the Axis upon the pocketbook of the average American citizen?

To answer these and other important questions suggested by this new trend in American policy, the University of Chicago ROUND TABLE *invited three expert observers to its microphone to discuss: "Weapons of Economic War."*

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MR. LAVES: The American people have made up their minds that Hitler must be stopped. Certainly this is clear from every reliable poll that has been taken. It is equally clear that the American people still hope that Hitler can be stopped without our sending an A.E.F. Now, short of an A.E.F., the United States is ready to do anything, therefore, to help stop Axis aggression.

The new Economic Defense Board, under Vice-President Wal-

ace,[1] is concerned with one type of action which we are prepared to ake at this time—action which involves the use of our economic eapons.

MR. STALEY: And economic weapons are very important in odern war. We have all heard calculations about how many men ust be employed behind the lines in order to keep one man going m the firing-line; and, while it is hard to say just how accurate hose calculations are, everybody agrees that the number behind the nes must be greater today than in previous wars.

MR. BIDWELL: While you talk about economic defense, the ritish talk about economic warfare. Which are we going to use?

MR. LAVES: I presume that it would be best for us to concenate our attention on the subject of economic warfare, because it is hrough economic warfare that we can best defend ourselves.

MR. STALEY: In other words, economic warfare is the use of ur economic power to weaken our opponents.

MR. LAVES: Does that mean that these economic weapons are mply the American variety of the economic warfare Germany has een carrying on since 1935 in the Balkans and in Latin America?

MR. STALEY: I think there is quite a distinction between what ermany did in the Balkans and what we are proposing to do, and

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[1] *The Economic Defense Board was established by executive order on uly 30, 1941, not only to coordinate government efforts to block supply akages to the Axis but to evolve plans for post-war economic readjustents. Typical of "leaks" which the board will seek to eliminate ocurred during the height of tension with Japan when U.S.-bound Japnese freighters hovered off the Pacific coast, afraid to enter ports. Four eighters, according to "Business Week" (August 9, 1941), "slipped nto Manzanillo, Mexico, and took on cargoes of important defense aterials. Included were 1,600 flasks of mercury, four tons of tungsten, oo tons of lead, 260 tons of fluorspar, seven tons of molybdenum, 15 ns of mica."*

are doing, now. In the Balkans, Germany was trying to take ove the economies of little countries in order to prepare the way fo actual invasion. Our problem is not that. What our Economic De fense Board will be thinking about is how to withhold supplies fro a strong military machine in order to stop it.

MR. BIDWELL: May I supply a definition? Couldn't we, fo our purposes, call economic warfare "commercial and financial iso lation of the enemy"?

MR. LAVES: Fine! Suppose we accept that as a basis for di cussion.

Let's make it quite clear that we are talking about the Econom Defense Board. This board was created by a presidential proclam tion on July 30. This board concerns itself with the internation economic activities of the United States which relate to our defen program.

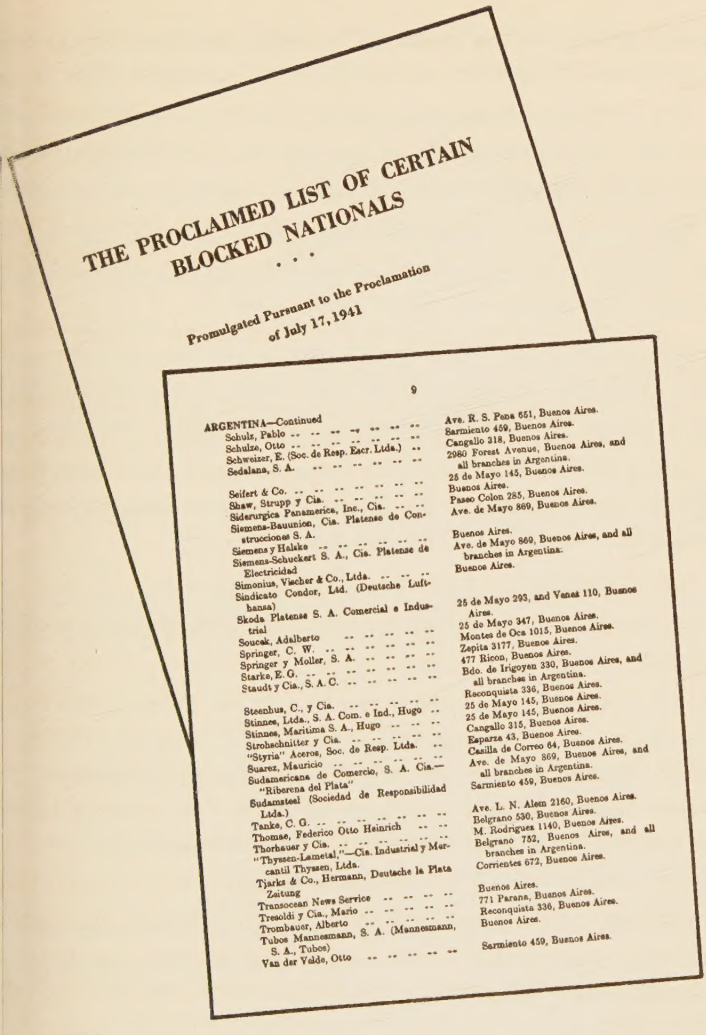
MR. STALEY: And what is it expected to do?

MR. LAVES: It is intended to be a coordinating agency whi will devise the best means whereby the economic power of th United States can be brought to bear for the achievement of th end of our foreign policy, namely, the defeat of the Axis powers.

MR. BIDWELL: It seems to me I have heard this phrase "c ordinating agency" a good many times lately. Is this going to be *real* board? Is it going to do something positive?

MR. LAVES: I don't know whether I am the one to answer tha I would like to point out that there is grave need for an effecti economic defense board able to deal for the United States as a un with Britain, on the one hand, and with the American people, on th other hand.

MR. STALEY: In other words, this board may perform a ve useful function by coordinating in two directions. It may coor nate what we do in economic warfare with what the British a doing and it may coordinate what our own governmental agenc



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ARGENTINA—Continued

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Schulze, Otto	Sarmiento 459, Buenos Aires.
Schweizer, E. (Soc. de Resp. Escr. Ltda.)	Cangallo 318, Buenos Aires.
Sedalana, S. A.	2980 Forest Avenue, Buenos Aires, and all branches in Argentina.
Seifert & Co.	25 de Mayo 145, Buenos Aires.
Shaw, Strupp y Cia.	Buenos Aires.
Siderurgica Panamerica, Inc., Cia.	Paseo Colon 285, Buenos Aires.
Siemens-Bauunion, Cia. Platense de Construcciones S. A.	Ave. de Mayo 869, Buenos Aires.
Siemens y Halske	Buenos Aires.
Siemens-Schuckert S. A., Cia. Platense de Electricidad	Ave. de Mayo 869, Buenos Aires, and all branches in Argentina.
Simonius, Vischer & Co., Ltda.	Buenos Aires.
Sindicato Condor, Ltd. (Deutsche Luft-hansa)	25 de Mayo 293, and Venas 110, Buenos Aires.
Skoda Platense S. A. Comercial e Industrial	25 de Mayo 347, Buenos Aires.
Soucek, Adalberto	Montes de Oca 1013, Buenos Aires.
Springer, C. W.	Zepita 3177, Buenos Aires.
Springer y Moller, S. A.	477 Ricon, Buenos Aires.
Starke, E. G.	Bdo. de Irigoyen 330, Buenos Aires, and all branches in Argentina.
Staudt y Cia., S. A. C.	Reconquista 336, Buenos Aires.
Steenhus, C., y Cia.	25 de Mayo 145, Buenos Aires.
Stinnes, Ltda., S. A. Com. e Ind., Hugo	25 de Mayo 145, Buenos Aires.
Stinnes, Maritima S. A., Hugo	Cangallo 215, Buenos Aires.
Strobschnitter y Cia.	Esparza 43, Buenos Aires.
"Styria" Aceros, Soc. de Resp. Ltda.	Casilla de Correo 64, Buenos Aires.
Suarez, Mauricio	Ave. de Mayo 869, Buenos Aires, and all branches in Argentina.
Sudamericana de Comercio, S. A. Cia.—"Riberena del Plata"	Sarmiento 459, Buenos Aires.
Sudamsteel (Sociedad de Responsibilidad Ltda.)	Ave. L. N. Alem 2160, Buenos Aires.
Tanke, C. G.	Belgrano 530, Buenos Aires.
Thomse, Federico Otto Heinrich	M. Rodrigues 1140, Buenos Aires.
Thorbauer y Cia.	Belgrano 752, Buenos Aires, and all branches in Argentina.
"Thyssen-Lametal,"—Cia. Industrial y Mercantil Thyssen, Ltda.	Corrientes 672, Buenos Aires.
Tjarks & Co., Hermann, Deutsche la Plata Zeitung	Buenos Aires.
Transocean News Service	771 Parana, Buenos Aires.
Tresoldi y Cia., Mario	Reconquista 336, Buenos Aires.
Trombauer, Alberto	Buenos Aires.
Tubos Mannesmann, S. A. (Mannesmann, S. A., Tubos)	Sarmiento 459, Buenos Aires.
Van der Velde, Otto	

re doing. That is, sometimes the Treasury works at cross-purposes ith the State Department; and this board must see to it that they dopt a common policy, a common objective, and then go toward under full steam.

MR. BIDWELL: It looks to me like a marvelous opportunit for someone. It is almost an answer to the economist's prayer.

MR. LAVES: While we are getting some aspects of what we ar talking about on the record, let me ask you both this question: I this economic warfare we are talking about something entirely new

MR. STALEY: I should say not, Laves. In every war that w read about in the history books a part of the strategy has been to tr to isolate the enemy—to cut off his supplies.

MR. BIDWELL: We certainly knew a great deal about it in ou own Civil War. It seems to me that some of the most familia stories about the Civil War concern the blockade of the South.

MR. LAVES: Yes. Certainly the same is true of the first Worl War, in which the role of the United States as a neutral carrier t belligerents was of particular importance.

MR. BIDWELL: And when we actually got into the war, th thing we did of most importance for the first six months was reall economic warfare.

MR. LAVES: And shouldn't you add one thing further, as precedent—in fact, as a specific antecedent to the work of the Ec nomic Defense Board—the activities of the government of th United States gradually to tighten up on the Axis powers? I reca our denying to Germany, back in 1935, further privileges as a mo favored nation under our commercial treaty.

MR. STALEY: And you might include our moral embargoes a part of economic warfare—as a method of withholding supplies fro potential enemy powers.

MR. BIDWELL: There is no doubt that we have been at wo at this for the last four or five years but in a rather uncoordinat and decentralized fashion.

MR. STALEY: Yes. I seem to remember that Secretary Ick

'd that the Germans could not have helium for their zeppelins at the same time that some other governmental officers were thinking that the right policy was to let them have helium.

MR. BIDWELL: In the past there has been a considerable difference of opinion between the Treasury and State departments as to how we should proceed against Japan.

MR. STALEY: In the freezing of funds?

MR. BIDWELL: Yes.

MR. LAVES: One other thing: The United States is going to have the benefit of the experience of Britain, is it not? That is, Britain has been carrying on economic warfare ever since it began the war.

MR. BIDWELL: And it has been doing a swell job of it, from all I understand.

MR. STALEY: The Ministry of Economic Warfare was created the very day the war broke out, or at least within one or two days afterward. They had it all set up, ready to go, at the outbreak of war.

MR. BIDWELL: One of the important things about this new board of ours is that it gives the British somebody to talk to.

MR. STALEY: They can talk to Harry Hopkins about lend-lease; and they can talk to Mr. Wallace about withholding supplies from Germany or Japan or Italy or from other members of the Axis group.

MR. LAVES: That suggests, then, that there are two aspects of our international economic relations in this war. One concerns the relations with our friends—those who are covered by the Lease-Lend Act. We won't be concerned with those in this discussion. The other concerns the means whereby we can hurt our enemies.

MR. STALEY: That's right. You can help your friends or in-

jure your enemies by throwing your economic power about in a scientific way. We are discussing how we can injure the Axis.

MR. LAVES: What are the means at our disposal? Can we state this very simply? What can the United States do, now that it is going into economic warfare on a full-fledged scale?

MR. BIDWELL: Well, our weapons, most simply stated, are four—the power of buying, the power of selling or refusing to sell, the power of lending, and the power that we have over some seven and a half billion dollars worth of foreign funds on deposit in this country.[2]

MR. LAVES: All right. Let's start with the first of these. What about the control we have over buying?

MR. STALEY: Take an example. Last May the Metal Reserves Company, which was created by the United States government, went down to Bolivia and made a contract with Bolivia for the purchase of Bolivia's entire output of tungsten. Now, tungsten is an important alloy metal used in hardening steel for making machine tools and the like. We agreed to buy all of Bolivia's tungsten. Japan had been negotiating in order to get it. We went in ahead, and that is the kind of thing we mean when we talk about preclusive buying.

MR. BIDWELL: Well, we have similar arrangements with Brazil and with Mexico—practically exclusive arrangements to take from them a supply of important, strategic materials.

MR. LAVES: This control over buying results in a cornering of the market of certain strategic raw materials and also, I presume, of industrial products which, on the one hand, we don't want to go to our enemies and which, on the other hand, we realize may be an embarrassment in the form of a surplus in the hands of our friends.

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[2] *See illustration, page 11.*

MR. STALEY: There is a third thing: We can use them in our defense program in many cases.

MR. LAVES: To what extent is this program limited to these Latin-American countries? Are we buying anywhere else?

MR. STALEY: We were buying in Indo-China. We were buying their rubber to keep Japan from getting it. But, of course, Japan moved in there, and now I see that the Japanese have persuaded the Indo-Chinese not to sell to anybody else.

MR. BIDWELL: I should think it is particularly important in Latin America just at present.

MR. LAVES: Of what particular importance is it to cut off these raw materials from the Axis powers? I see it in a general way, but I wonder if it isn't also true, in a very specific sense, that, in so far as we can cut off raw materials from them, it becomes possible for us to compel countries like Germany and Japan to rely on synthetic products, which are far more costly to produce?

MR. STALEY: That is part of it, Laves. In effect, it weakens them by using up more of their man-power and more of their materials.[3] For example, during the first World War, Germany was short of rubber, and she didn't have rubber tires for her military trucks. Well, that was a weakness, but she did find a substitute.

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[3] *A typical example of readjustments required by the economic blockade is reported by the Department of Commerce, "Foreign Commerce Weekly" (April 12, 1941). Faced with shortages of fodder, German scientists perfected a protein fodder made from wood pulp. Early this year the Berlin Cellulose Fodder Company was established, not to manufacture fodder but to finance the building of eight plants to produce the new fodder. The cellulose fodder, after being mixed with egg white, oats, molasses, and carbonic calcium, is to be fed only to horses and cattle, according to reports.*

MR. BIDWELL: What did she get? What did she make the tires from?

MR. STALEY: She made tires of steel—that is, steel hoops suspended from the rims of the trucks by springs.

MR. BIDWELL: Didn't that work pretty well?

MR. STALEY: It worked after a fashion, but there were a couple of disadvantages. In the first place, Germany had to use up other scarce materials. She was short of steel, and she had to use high-grade steel for trucks instead of truck tires. And then there was another disadvantage. Those steel tires cut up the roads terribly so that she had to withdraw man-power partly from the army, partly from agriculture, and thus she was weakened.

MR. BIDWELL: Well, that is a pretty good illustration of how well integrated are all the activities within a modern industrial economy. When you knock out one of them, you destroy the whole house of cards.

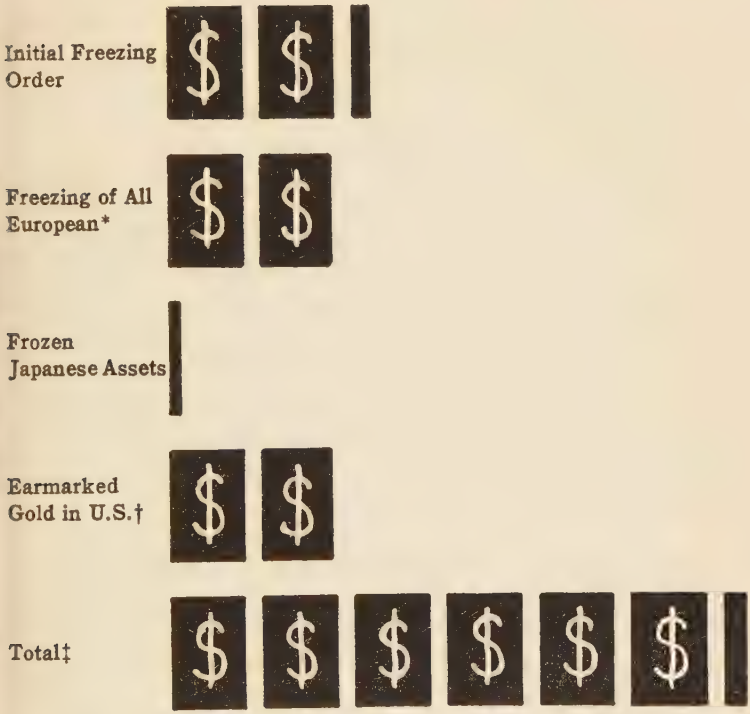
MR. LAVES: We have described the first of Uncle Sam's economic weapons. What about the control we have over the selling of commodities? What form does that control take? Is it concerned with the same kinds of commodities and the same countries? Has it the same objective?

MR. STALEY: Since July, 1940, the United States has had an Administration of Export Control, and progressively we have been putting more and more exports under license.

MR. LAVES: And this agency, then, is concerned with controlling sales of United States products?

MR. STALEY: That's right. But also we have persuaded some other countries, such as Brazil, to require licenses for the export of certain strategic commodities. For example, Brazil put export controls on rubber, on manganese, on industrial diamonds, on quartz crystals, and on mica.

ESTIMATED FROZEN FOREIGN ASSETS



EACH COMPLETE SYMBOL EQUALS $1,000,000,000

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* *Excluding released assets of the U.S.S.R.*

† *Total gold held by United States Treasury for foreign governments.*

‡ *Estimated; does not include trade claims and scattered smaller assets affected by freezing orders. A survey being conducted by the United States Treasury (to be completed August 30, 1941) will provide the first definitive analysis of total assets of foreign countries frozen by recent orders.*

MR. BIDWELL: That just fits them in, really, with our export control system.

MR. LAVES: And the purpose of this again is, on the one hand, to preserve these materials for ourselves and, on the other hand, to keep them from getting into the hands of the Axis powers?

MR. STALEY: That's right.

MR. LAVES: What other controls have we got? Can't we also speak, when we are talking about control of sales, of the selling of space in shipping? I should think the government would be concerned with preventing the Axis from shipping anything on American vessels.

MR. STALEY: And we can also influence neutral shipowners who aren't too glad to cooperate against the Axis by refusing to sell them fuel oil or repairs or that sort of thing.

MR. BIDWELL: Well, we can refuse a lot of services. We can refuse to sell insurance, for instance.

MR. LAVES: On this fuel question, Staley, suppose they don't come to the United States? They don't *have* to come here for refueling.

MR. STALEY: Presumably we'd cooperate with the British on that; and, if you take the United States and Britain together, the two control most of the world's "filling stations" for ocean-going ships. There are only about 350 places in the world where ocean ships can fuel. Those in the Axis domain—about 90 of the 350—are short of oil. Of those that are left, the United States and Britain have 160, or about two-thirds. And, outside of those two-thirds, 64 more are in Latin America—and we can influence them. And Japan has only 25.[4]

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[4] *See illustration, page 15.*

MR. LAVES: When we consider our third economic weapon, we have a similar situation. Control over lending is for the purpose of directly preventing the lending of money from this country to Japan or to Germany. On the other hand, it is to keep other countries from doing a similar thing.

MR. BIDWELL: There, it seems to me, the United States is in a tremendous position of advantage. We have practically the only capital to be lent by anybody, and it is going to be lent by the government. In other words, we have central control now of the power of lending.

MR. LAVES: You mean no individual can lend money to anyone outside the United States without the approval of the government?

MR. BIDWELL: That was provided by the Neutrality Act, I understand.

MR. STALEY: To a belligerent?

MR. BIDWELL: To a belligerent.

MR. LAVES: What are we doing to neutrals and the others?

MR. BIDWELL: We have the Export-Import Bank, whose capital has recently been increased by five hundred million dollars for the specific purpose of lending to the Western Hemisphere. We also have the Treasury Stabilization Fund, which is now released from some of its obligations to support the franc and the pound and has large funds which it could use in supporting the value of Latin-American currencies.

MR. STALEY: Didn't I hear that the Export-Import Bank, or one of our lending agencies, lent money to Brazil to help them build a steel mill? What do you think was the purpose of that?

MR. BIDWELL: That seems to me only economic warfare in a rather indirect and delayed sense. That eventually will help the

Brazilians to set up a more integrated economy than they now have. Over a period of years they would be less dependent upon foreign trade than they now are.

MR. LAVES: Well, let me ask both of you this question: So much of what you are saying here seems to concern itself with what we have done. To what extent do you expect that under this new Export Control Board it will be possible to do more? What is the extent of the control we can exercise, for example, over lending? Is there much influence we can have upon that policy from now on?

MR. STALEY: You mean under the Economic Defense Board?

MR. LAVES: Yes.

MR. STALEY: Well, they can focus our lending powers on accomplishing some of the other objectives of economic warfare. For instance, we can make loans to those Latin-American countries which have important supplies, in order to make them more friendly; and as a part of the bargain they will put on export controls that will keep their supplies from Japan, Germany, or Italy.

MR. LAVES: Yes. But who has done that up to now?

MR. STALEY: A number of different agencies.

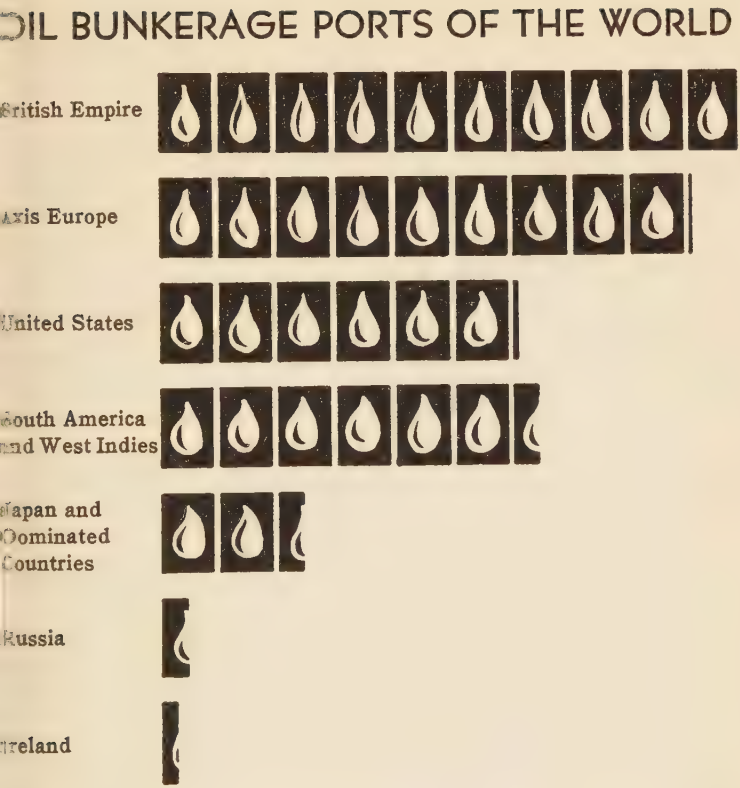
MR. LAVES: And not effectively?

MR. STALEY: Oh, yes, it has been rather effective; but it will be more effective if this board can coordinate what the Export-Import Bank does with, let's say, what the Export Control people want to get Brazil to do.

MR. LAVES: Now let's get down to the fourth weapon of economic warfare. You said we also had control over the assets of other countries within the United States. Of what significance is that?

MR. STALEY: You mean fund-freezing?

MR. LAVES: Yes, I think that's it.



MR. BIDWELL: Well, that freezing of the funds has undergone considerable change. As originally instituted, it was in order to protect our bankers from the possibility of having to pay out to unauthorized persons. It also had the purpose of protecting persons in the invaded countries. We were trustees for their funds; we had to be sure that they were not paid out under duress.

MR. STALEY: What you are saying is that the freezing of funds was first applied to the funds of occupied countries as Germany invaded them?

MR. BIDWELL: It was. And our purpose became rather definitely one of not letting the Germans benefit from the use of any of these funds.

And, finally, when we froze the Axis funds, our purpose was not to allow the Germans or Italians or the Japanese to get any benefit from the several hundred million dollars they had on deposit in this country.

MR. LAVES: That suggests one other thing to me which you haven't mentioned specifically. One hears a lot these days about the blacklisting of firms. Now, that has something to do with control over assets and also has something to do with control over lending and over buying and selling, doesn't it?

MR. BIDWELL: That is a sort of "shotgun prescription."

MR. STALEY: You give them the works.

MR. BIDWELL: Yes. That is a method of enforcing a good many of these weapons. It backs them up.

I can illustrate that with reference to freezing. Under the freezing orders, none of our nationals, none of our exporters, for instance, were supposed to have anything to do, in a business way, with any of the firms in Latin America which were really owned by German interests. But how did they know, when they sent their goods down to Latin America, whether Mr. Hernando Schmidt, or somebody else of that kind, was a German or a Brazilian?

MR. LAVES: All right, you tell me. How did they know?

MR. BIDWELL: They know it now.

MR. STALEY: In other words, we put up a little sign that says: "Hernando Schmidt, Mexico City—unfair to organized democracy; don't trade with him."

MR. BIDWELL: Yes. We have signs over eighteen hundred of those people, and now our people know exactly to whom they can

and goods and with whom they can do business, and with whom they can't, in Latin America.[5]

MR. LAVES: It looks as though Uncle Sam is putting out something in the nature of an economic dragnet. There are various weapons at his disposal—the control by the centralized governmental authority over buying in the foreign market; over making loans in the foreign market; over sales of goods to people outside the United States; and through the control over the assets of foreign countries.

One thing that strikes me is that somehow the problem which we face in Europe is different from the problem which we face in the Far East and different from the problem which we face in Latin America. Is that true?

MR. STALEY: That is certainly true. In Europe, for instance—that is, in German-dominated Europe—the problem of keeping supplies from reaching the German military machine is mainly one of reinforcing the British blockade. The British, of course, have been at this job longer than we have, and we can, with some of our economic pressure, reinforce their ship-warrant scheme, reinforce their preclusive buying, and use other methods they have adopted.

MR. LAVES: What would that mean in the Far East?

MR. BIDWELL: In the Far East, export control has been the thing which we have had most in mind right along. For a number of years we have been talking about the possibility of stopping Japanese aggression in the Far East by cutting off oil or refusing to buy raw silk.[6]

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[5] *See illustration, page 5.*

[6] *Japanese silk exchanges remained closed following the freezing of Japanese funds in the United States, according to the Department of Commerce. "The entire industry is faced with serious disorganization and confusion, according to reports, through the possible loss of the American market, despite the belief in some quarters that domestic*

MR. LAVES: That is, in the Far East we are not quite ready to go as far as we have in Europe. We still have hopes of winning Japan over to the right side.

MR. STALEY: Well, we are in a situation now, Laves, where we have the power. That is, we are now licensing the use of Japanese funds to the extent they are allowed to use them. They must get our permission. We can tighten the screws or we can loosen them. In other words, we have bargaining power.

MR. BIDWELL: And we are trying to use it to keep the Japanese guessing.

MR. STALEY: Yes. We'd rather keep them from going to war, if we can.

MR. LAVES: Well, now, if that is the situation in those two areas, isn't it different in Latin America, where you have no belligerents?

MR. BIDWELL: In Latin America, it seems to me, the adoption of economic warfare has meant a real revolution in our policy. You remember that back in May, 1940, when Denmark and Norway were invaded, there was a great deal of talk about economic self-sufficiency. It was a defeatist attitude. Everybody had come to the conclusion that England was going to be beaten and that the best thing we could do was to crawl down into our economic cyclone cellar and take the Latin Americans with us.

MR. LAVES: Has that been changed?

MR. BIDWELL: I think the adoption of economic warfare shows that we have really come to the conclusion that England can win after all.

MR. STALEY: And we are seizing the initiative.

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markets can absorb the quantities of raw silk earmarked for export" ("*Foreign Commerce Weekly,*" *August 16, 1941*).

MR. BIDWELL: What we are *really* trying to do is to set up a sign—"You can't do business with Hitler."

MR. LAVES: How far do the methods which we have been discussing serve the purpose which we have in mind? What kind of pressure is most effective with respect to the Latin-American countries? Does it concern goods; does it concern credits, assets, or what?

MR. BIDWELL: The two most effective things we can control are buying and lending. Both of those things have certain dangers connected with them.

MR. LAVES: By buying, you mean buying the goods which they would normally send to Europe.

MR. STALEY: It is a matter of preclusive buying. It is also a matter of taking surpluses which otherwise would be embarrassing to them off their hands.

MR. BIDWELL: That is the most difficult thing, and I doubt whether we have worked out a satisfactory solution to that difficulty. When it comes to wheat and cotton and corn, I think we are still in a position of uncertainty.

MR. LAVES: And as far as lending is concerned, it involves primarily providing them with funds to tide them over these difficult times and to give them a chance to industrialize.

MR. STALEY: Yes. You see, their normal sources of income have been cut down. They can't sell to continental Europe, and a lot of their people depend for employment and for income on sales that used to go to Europe.

MR. LAVES: By the way, who had been handling matters of that sort before the creation of this Economic Defense Board?

MR. BIDWELL: We had two lending agencies. We had the Export-Import Bank and we had the Treasury, which has made a currency stabilization loan to Argentina.

MR. STALEY: Also, we had the Coordinator of Commercial and Cultural Relations with Latin America, who was very much interested in this kind of thing.

MR. BIDWELL: The State Department was always interested, and the Department of Agriculture had its representatives down there.

MR. STALEY: So now the Economic Defense Board is supposed to bring together and focus the activities of all these agencies—not supersede them but to see that they are directed at one objective.

MR. LAVES: When we started this discussion, you recall we were talking about the coordination of our efforts with the efforts of Britain and with our own domestic program. It strikes me from what you are saying that this increased governmental control over all aspects of our economic international relations must result in certain privations for the American people; and, consequently, it occurs to me that the cost of this business of engaging in economic warfare is going to be felt very soon in the American pocketbook. Is that true?

MR. BIDWELL: Well, Laves, does your wife wear silk stockings?

MR. LAVES: No, sir. But not for the reason you think.

MR. STALEY: We have already felt some of those costs. I was thinking of the silk stockings, too; and also of the silk workers. There are 170,000 silk workers whose jobs are imperiled to some extent by the fact that Japan is not sending us any more silk because we have refused to let Japan use the funds that they get when they sell silk.

MR. BIDWELL: That isn't the only cost. Just think of the headaches that thousands of American exporters have gone through in filling out innumerable forms and endless correspondence with Washington.

MR. LAVES: We *are* going to feel the cost of this economic warfare, then. We are going to feel it in the consumers' market; we are going to feel it in specific labor areas, in the industries affected because raw materials are no longer coming or goods can no longer be produced.

MR. STALEY: We must find other jobs for those workers; or, as in the case of silk, we must find other fabrics or other fibers which can be substituted for silk, so that these same workers don't make silk stockings but do, for instance, make nylon.

MR. LAVES: As I understand it, this Economic Defense Board is concerned with that kind of question. I mean that the government isn't merely engaging in economic warfare, deciding to let the American people adjust themselves as well as they may?

MR. BIDWELL: Exactly. They must consider, really, whether the money spent in this way is better spent than spending it eventually on battleships.

MR. LAVES: That is it exactly. If the American workers and the American people aren't willing to make a sacrifice in this way, they are going to have to make it in higher taxes later.

MR. STALEY: It is important, of course, that the American people see that and make it possible for the Economic Defense Board to take a more positive attitude, to use more of this initiative which we have seized.

MR. LAVES: There is a related question, which I don't suppose we have time to discuss at length, concerning all this concentration of economic power in the hands of the government and what it means for some of our traditional ideas about the power of government. People don't like this increase in bureaucracy, and here you are setting up a new bureaucratic agency. In other words, only in so far as the American people are prepared to make these sacrifices called for by this plan are they going to put enough pressure on the

government to get these agencies to go through with the program proposed.

MR. STALEY: It is the old story that the liberal democracy must be prepared to give some extraordinary powers in an emergency and take them back after the emergency is over.

MR. BIDWELL: After all, what did Sherman say? Something about "war being hell." I mean we can't fight war without paying some cost for it.

MR. LAVES: Naturally we can't. Finally there is the related issue of what is likely to happen to all of this control (which is set up during the war) when the war is finally over; but that, I think, we ought to leave for some future University of Chicago ROUND TABLE.

We have been talking about the economic weapons which Uncle Sam can use in carrying out the clear wish of the American people—to stop Axis aggression. These weapons seem to be of a very potent sort and may contribute much to the ultimate defeat of the Axis powers. They are weapons which supplement the armed resistance of the nations with which we are cooperating. At the same time they contribute to the strengthening of our own defenses and of the defenses of other states in the Western Hemisphere.

I judge, therefore, from what we have been saying, that the strategy of using our economic weapons is really the central job of the Economic Defense Board, and the success of its work will depend on its own energy and the public support which it enjoys.

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BALDWIN, HANSON W., "Hitler Can Be Defeated: Economic Measures," *New York Times Magazine*, June 15, 1941. *A general picture of the economic measures necessary for the defeat of Hitler.*

BIDWELL, PERCY W., and UPGREN, ARTHUR R., "A Trade for National Defense," *Foreign Affairs*, January, 1941. *An illuminating article on the potency of American buying, selling, and lending power while the rearmament program was in its early stages.*

BRANDT, KARL, "Food as a Political Instrument in Europe," *Foreign Affairs*, April, 1941. *A revelation of the tactics by which the Nazis have transformed food from an economic end into a political means.*

"The Economic War," *Economist*, May 24, 1941. *A quick survey of the role that blockade plays in modern warfare. Emphasis is on British experience.*

"Export-Import Loans to Latin America," *Foreign Policy Reports*, June 15, 1941. *Loans described as the means of bridging the gap between present maladjustments of hemispheric trade and permanent adjustment.*

FRECHTLING, LOUIS E., "Oil and the War," *Foreign Policy Reports*, June 1, 1941. *A discussion of oil as a vital factor in present economic and military strategy.*

HOPKINS, HARRY, "Hitler Won't Win," *American Magazine*, July, 1941. *Mr. Hopkins discusses Germany's economic weaknesses and the resources that Britain and America together can rally against her.*

HOROTH, V. L., "Our Economic War against the Axis," *Current History*, June, 1941. (Condensed from an article in the *Magazine of*

Wall Street.) *An article explaining and defining many of the instruments of economic warfare.*

"Running the War: Economic Warfare," *Time;* June 23, 1941. *A discussion of the effect of fund-freezing.*

STALEY, EUGENE, "The Myth of the Continents," *Foreign Affairs*, April, 1941. *Mr. Staley challenges the theme of "continental economic units" held by many present-day writers.*

STRAUSS, FREDERICK, "The Food Problem in the German War Economy," *Quarterly Journal of Economics*, May, 1941. *A comprehensive analysis of Germany's integration of food policy with total war, in which the author reaches the conclusion that food deficiency alone will not seriously hinder her war effort.*

TAYLOR, AMOS E., "Frozen Funds and National Defense," *Foreign Commerce Weekly*, August 9, 1941. *An answer to the question, "What does freezing mean to the American foreign trader?"*

"U.S. Forges Economic Sword as Weapon against the Nazis," *Newsweek*, June 9, 1941. *A review of the present federal agencies which the new Economic Defense Board must coordinate.*

"U.S. Mans Economic War Front," *Business Week*, June 21, 1941. *Washington completes plans to block Axis supplies; a discussion of freezing, financial pressure, export and import control, priorities, and shipping controls.*

"Economic Warfare," *Business Week*, June 28, 1941. *Supplementing and continuing the above article, this issue contains as well the last statistical table on exports and imports for 1940 and 1941.* (*The government has decided to discontinue publishing foreign-trade data because of the useful information provided unfriendly nations.*)

OBJECTIVE QUESTIONS FOR EXAMINATION

The answers to the following questions may be found in the text of the broadcast, and page references are provided to assist in locating the answers.

*

1. The new Economic Defense Board is headed by whom? When and how was this board created? Page 2.
2. Define economic warfare and list its objectives. How recent is this form of warfare? Pages 4–6.
3. According to Mr. Bidwell, into what four classes do America's economic weapons fall? Page 8.
4. By encouraging preclusive buying, the government hopes to accomplish what three ends? Pages 8–9.
5. Mr. Staley lists figures on bunkerage ports in the world. Enumerate some of these figures. What point does this demonstrate? Page 12.
6. The Export-Import Bank was given what sum of money recently for what purpose? Page 13.
7. What shift in public opinion is indicated by the adoption of economic warfare on the part of the United States? Page 18.
8. List several of the governmental agencies whose activities are to be coordinated by the new Economic Defense Board. Pages 19–20.

QUESTIONS FOR ANALYSIS AND DISCUSSION

The following questions of wider scope, intended for discussion, are suggested by the broadcast, and answers may be found in the literature on the subject listed in the section "Suggested Readings," found on pages 23–24.

*

1. Define "economic warfare." Contrast the German and British systems. Is the United States simply following in the footsteps of Britain, or are we adopting an independent policy?

2. With the aid of the suggested readings, enumerate the instruments of economic warfare. Trace the steps taken to date by the United States.

3. Are there any forms of indirect economic warfare? Is it possible that the future policy of the United States will lean toward the indirect form rather than the direct? Discuss, using specific illustrations.

4. Do you believe that the problems which face the United States in Europe, in the Far East, and in Latin America are identical? Which measures, in your opinion, might prove most effective in each region?

5. What role does sea power play in economic warfare? Discuss this question from the angle of bunkerage facilities as well as blockade.

6. What effect will economic warfare have on the domestic economy of the United States? In answering, include the effects of raw-material restrictions and increased governmental control of business.

7. Discuss the effects upon the national economy of the forced use of substitutes? Cite a specific example.

The Listeners' Round Table . . . .

Letters to the ROUND TABLE *frequently contain interesting and illuminating sidelights on the subject matter discussed on the air. These comments are from letters received following the broadcast discussion of "National Unity," August 17, 1941.*

*

"Dear Prof. Warner"

With a group of ten people I have just listened to the ROUND TABLE discussion.

You are a superb propagandist. You converted six people in that one small group to—of all things—nonintervention!

Your extreme lack of urbanity is, of course, the logical manner with which to handle your matter, but it produces an unsympathetic ribaldry in your listeners quite unintended by you, I am sure.

I. de A., New York

*

"Dear Roving Reporter . . . ."

You were the only one on that University of Chicago ROUND TABLE that contributed anything pertinent to that half-hour talk. At least you *did* express the sentiment, feeling, and opinion of the "common" fellow on the street. This did not seem to interest the other two men on the ROUND TABLE at all, however. They went right ahead with their preconceived notions about what they already had thought and were unaffected by anything you said.

A. L., Illinois

Traitor

Mr. Warner is not an American; he is a dictator-advocate. He would take from us the right to petition Congress to express our wishes by denying us free speech and the freedom of the press. He, not free speech, should be suppressed. He belongs in Germany or Russia. Mr. Warner would have us spill our blood to prevent Hitler from taking from us the rights he himself would deny us. He is a traitor.

I. V. H., New Jersey

*

The South

I believe there are two reasons why the South is belligerent today. They are as follows: (1) The South is and always has been susceptible to propaganda and is misinformed and is thinking with its heart instead of its head. (2) Interested persons who stand to make money out of war own the newspapers and dominate the thinking of the people by disseminating this high-powered war propaganda to people whose educational level is lower than other sections of the country. I believe these two reasons also apply to my

own state—I know that is true in this immediate section of Texas. It is no secret that Texas oil men will make millions out of the war selling oil to both sides, as they have been doing in the past. It is no secret that Texas and southern farmers will stand a chance to improve their living conditions—they remember the 40 to 80 per cent prices on butter and eggs, 25-cent cotton, and high-priced livestock during the last war. They have been hitting it pretty hard during the past few few years—can you blame them for wanting a good war? This explains the attitude of the South and perhaps the Southwest. *But*, let me make it clear that this attitude may *not* represent the rank and file of the people in either section. It represents only the articulated attitude of those who are in a position to make their voices heard and who have done so—hence, represents largely those who stand to make money out of it, on the one hand, and those who have boys in the army, on the other.

A. C. W., Texas

*

Free Speech

I was shocked (and I'm still fuming!) to hear one of your speakers recommend for the sake of national unity that freedom of speech and press should be suppressed. The unmitigated impudence! He uses the privilege of free speech to recommend suppression of free speech! Is everyone going completely mad?

M. W., Pennsylvania

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1. *Tariff Walls*
4. *Is America's Economic Frontier Closed?*
5. *Must the World Unite?*
6. *Can We Protect America?*
1. *Where's That War Boom?*
3. *Blitzkrieg, May, 1940*
4. *America and the Peacemongers*
5. *Babies Cost Money*
7. *Have We Time to Think?*
9. *America's Capacity to Arm*
0. *Economic Union for the Americas*
1. *Civil Liberties and the Fifth Column*
2. *M-Day and America*
6. *What Really Happened at Havana?*
8. *Blitzkrieg on Britain*
9. *Should America Aid Britain?*
1. *Can Germany Conquer Latin America?*
2. *Conscript Wealth, Too?*
4. *Will Hitler Attack America Next?*
7. *Warmongers and Appeasers*
0. *World Revolution*
1. *Art and Our Warring World*
2. *The Soviet Union and America*
3. *Is Hitler Revolutionizing Britain?*
4. *Where Are Those 50,000 Planes?*
6. *1951: The Next Decade in Education*

1941

7. *More Aid to Britain Now?*
8. *Is This Our War?*

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149. *Morale: First Line of Defense?*
150. *Can Capitalism Defend America?*
152. *Can the Americas Be Invaded?*
153. *Guns or Butter?*
154. *Dilemma in the Far East*
155. *How to Fight Nazi Propaganda*
156. *The Decline and Fall of the Roman Empire*
157. *Strikes and National Defense*
158. *Defense Economics*
159. *Should We Convoy to Britain?*
160. *Balkan Blitzkrieg*
161. *War Aims and Peace Aims*
162. *Which Road for America?*
163. *Lessons from Europe's War*
164. *The Effect of the Blitzkrieg on the Economic Order*
165. *Defense and America's Health*
166. *Roosevelt* vs. *Hitler*
167. *Polls and the Crisis*
168. *Where's Bunker Hill?*
169. *War against the Middle Classes?*
170. *The Crisis and Your Pocketbook*
171. *America and the German-Soviet War*
172. *Soviet Russia at War*
173. *Our Liberties*
174. *Blueprint for Hemisphere Defense*
175. *Should America Clear the Seas of the Nazis?*
176. *Economic Consequences of a German Victory*
177. *Defense: Who'll Pay the Piper?*
178. *Japan: Setting Sun?*
179. *National Unity.* August 17

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